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RHEFDIA/DIA WASHDC  
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RUEAIIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEAWJC/DEPT OF JUSTICE WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 TASHKENT 001922

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DEPT FOR INL ANDREW BUHLER, TREASURY FOR DAVID TEITELBAUM,  
MOSCOW FOR TREASURY KEVIN WHELAN

E.O. 12958: DECL: 11/05/2017

TAGS: [PREL](#) [KCRM](#) [ECON](#) [UZ](#)

SUBJECT: UZBEKS TAKE TEETH OUT OF MONEY LAUNDERING LAW

Classified By: Poloff Tim Buckley for reasons 1.4 (B, D)

¶1. (C) Summary. A Department of Treasury official was part of a Eurasia Group delegation which met in Tashkent with Government of Uzbekistan (GOU) counterparts from the Office of the State Prosecutor (Procuracy) to discuss anti-money laundering efforts. The official purpose of the event was to conduct a needs assessment for technical assistance, but the delegation wanted to convey that the GOU is in violation of United Nations (UN) Resolution 1216, which requires anti-money laundering standards, after a recent Presidential decree suspending the important provisions of the law until ¶2013. The Uzbek representatives stuck to highly scripted remarks throughout the three-day conference and expressed no intention of changing the policy despite the long-term risk of sanctions from the UN or the Group of Eight's Financial Action Task Force. This may be a strategy to give influential parties time to secure personal assets. Russia may pressure Uzbekistan on this issue when the Eurasia Group conducts an official assessment in 2008. End summary.

Noncompliance with UN Resolution 1216  
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¶2. (C) A delegation from the Eurasia Group (EAG), which is part of the Group of Eight's Financial Action Task Force (FATF), conducted meetings with Uzbek representatives of the Procuracy from October 29 - November 1. The stated purpose of the trip was to conduct a needs assessment for technical assistance, but in actuality the delegation wanted to warn the GOU that it is in noncompliance with UN Resolution 1216, which mandates the adoption of anti-money laundering standards. The Uzbek representatives tried to distract the delegation from the agenda with frequent midday vodka toasts and stuck to highly scripted remarks that avoided explanations for the suspension. The Eurasia Group will conduct an official assessment of Uzbekistan in 2008.

"Worse than having no law at all"  
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¶3. (C) An anti-money laundering law went into force in Uzbekistan in 2006, however in April 2007 President Karimov signed an order suspending the main provisions of the law "On Combating Legalization of Proceeds from Criminal Activity and Terrorist Financing" until January 1, 2013, leaving only descriptive elements intact. The Treasury official (strictly

protect), who was the only American member of the delegation, noted that this essentially bans an effective anti-money laundering statute in Uzbekistan for a period of six years. He added that Kazakhstan and Tajikistan, which presently have no related laws, are in a better position to combat money laundering because they at least have no official hindrances to establishing and implementing new legislation. The Treasury official noted that the Uzbek law is also unusual in that it contains a provision that banks, rather than the Financial Intelligence Unit (FIU), have the authority to freeze transactions. This could have frightened some investors and burdened banks, but suspending the law does not address this peculiarity.

#### Unfazed by Risk of Sanctions

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¶4. (C) The Treasury official reported that Uzbekistan could face sanctions for noncompliance with UN 1216, however officials from the Procuracy did not seem concerned. The delegation also went to the Oliy Majlis (Parliament) to meet with several lawmakers who reiterated the excuse that Uzbek banks "need time to create capital", which necessitated the suspension of the key provisions of the law. (Note: None of the experts from the Eurasia Group delegation, including the Treasury official, was able to determine what the concept of "creating capital" actually means in this context. End note). The Parliamentarians were also ambivalent about the possibility of future sanctions from the Group of Eight's FATF or the UN.

#### FIU Receives Modern Equipment -- but for what?

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¶5. (C) The visiting delegation toured the brand new facilities of the Uzbek FIU, which operates under the auspices of the Procurator. GOU officials made special note of more than USD 1 million in sophisticated new computer equipment but said they still need assistance upgrading the networking capabilities. However, given the suspension of the key elements of the anti-money laundering law until 2013, it is unclear what the FIU will be focusing on in the coming years. By the time the suspensions on the law are lifted, the equipment is likely to be functionally obsolete. The Treasury official recommended that no additional computer equipment be provided to the FIU through USG financial assistance programs; however he said key FIU officials, bankers, and analysts could benefit from training programs.

#### Comment

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¶6. (C) President Karimov's decision to suspend the key provisions of the anti-money laundering law shortly after it came into force suggests that some influential GOU officials may have a vested interest in delaying the implementation of any effective legislation until they can secure their personal assets. It is also not surprising that the GOU brushed off the possibility of sanctions, and it is unlikely that the UN or the FATF will raise the issue of Uzbekistan's delinquency in the near future. However, the Treasury official believes that the 2008 Eurasia Group assessment may trigger FATF action, especially since Russia has very effective anti-money laundering regulations and may exert pressure on Uzbekistan to avoid any embarrassment.

NORLAND